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RUEHBU/AMEMBASSY BUENOS AIRES 5480
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TAGS: [ECON](#) [PGOV](#) [PREL](#) [BL](#)
SUBJECT: CHAVEZ VISITS BOLIVIA

Classified By: Ecopol Chief Mike Hammer for reasons 1.4 (b) and (d).

SUMMARY

11. (C) Venezuelan President Hugo Chavez arrived in Bolivia August 9 for an official visit. President Morales and Chavez signed documents creating Petroandina, a joint venture between the Bolivian state energy company YPFB and Venezuelan state energy company PDVSA. On August 10, President Morales, accompanied by Chavez, and Argentine President Kirchner signed an agreement in Tarija to build a liquid gas separation facility. Morales and Chavez are due to travel to Entre Rios in the Chapare area late August 10, where they will sign an agreement to build a thermo-electric plant. President Morales has been visibly elated to host Chavez, but his visit may ultimately provide little more than an emotional high for Evo. End summary.

CHAVEZ ARRIVES LATE

12. (C) Venezuelan President Hugo Chavez arrived at El Alto military airport at 10:30 p.m. (five hours behind schedule) on August 9. A signing ceremony with Presidents Morales and Chavez was held at the Presidential Palace at midnight creating Petroandina, a joint venture between the Bolivian state energy company YPFB and Venezuelan state energy company PDVSA. YPFB will own 60% of the shares and PDVSA the remaining 40%. Chavez has promised to invest USD600 million in Petroandina. Chavez, Morales, and Vice President Garcia Linera all put their right hand over their hearts and held their left hands up in a closed fist Marxist style position while the Bolivian national anthem played (Note: this is Morales' new style to pay respect to the anthem. End note). During his speech Chavez urged Bolivians to fight for "the united motherland" that Simon Bolivar had dreamed of. Chavez also mentioned that "any conspiracy will be defeated by the force of the Bolivian people." Morales, for his part, said that Petroandina, unlike the discredited neoliberal model, would bring great economic results. He praised the "two commanders of the liberating forces of America...Fidel, and

the commandant Chavez." (Note: The general manager of the Radisson La Paz hotel where Chavez was staying told Emboff the Venezuelan security team were more demanding than usual, to the point of paranoia, and that they had insisted on testing the pH balance of the bathroom water where Chavez would stay. End note.)

MINI ENERGY SUMMIT

13. (U) On August 10 Morales and Chavez flew to Tarija where, together with Argentinean President Kirschner, they signed an agreement to build a liquid gas separation facility. President Chavez took the opportunity to again urge "Venezuela, Bolivia, Ecuador, Peru, and Argentina to work together to consolidate one nation, one big motherland." In his speech, President Kirschner said "dear Evo, I will be waiting for your call if companies like Petrobras and Respsol and others do not fulfill their investment obligations. Pick up the phone and the Argentines will come and produce." President Morales trumpeted the Argentine agreement as paving the way for Bolivia to "enter the era of hydrocarbons industrialization."

BEST YET TO COME?

14. (U) From Tarija, Morales and Chavez will fly to the Chimore military base and travel to Entre Rios in the Chapare area and home to Evo's most ardent supporters. The two

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presidents will then sign an agreement to build a thermo-electric plant. Sometime during his trip, Chavez is due to donate two more Superpuma helicopters to Bolivia.

COMMENT

15. (C) President Morales has been beaming from the moment Chavez arrived at the Presidential Palace, to the point of being visibly emotional. It may prove to be a short lived emotional high as Bolivia is faced with rising inflation and an ever closer energy crisis (Note: the GOB has asked the population to start conserving power between 3 and 6 p.m. End note). There are doubts as to the viability of Petroandina, as YPFB in reality is nothing more than a shell company and PDVSA is plagued by corruption. Argentine Political Counselor Federico Gonzales told Post he doubted that the liquid gas separation plant would ever actually be built. Although Morales and Chavez have not directly attacked the United States so far during the visit, it would not be surprising to hear such rhetoric in Entre Rios, the heartland of Evo's political support base. End Comment.
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